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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS**DOCKETED**

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

DEC 17 2019

DOCKETED BY

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In the matter of)

SEAN ZARINEGAR a.k.a. SEAN ZAR
a.k.a. BEJAHN ZARRINNEGAR and KORI
ZARINEGAR, husband and wife,)

DOCKET NO. S-21073A-19-0063

JACK COMBS and NANCY COMBS,
husband and wife,)

DECISION NO. 77494

PERFORMANCE REALTY
MANAGEMENT, LLC, an Arizona limited
liability company,)

**ORDER TO CEASE AND DESIST, ORDER
FOR DISGORGEMENT, ORDER FOR
ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME**

AMERICAN REALTY PARTNERS, LLC,
an Arizona limited liability company,)

BY: JACK COMBS AND NANCY COMBS

CORIX BIOSCIENCE, INC., a Wyoming
corporation, formerly known as CORIX
BIOSCIENCE, INC., a Maryland
corporation, formerly known as AMERICAN
HOUSING INCOME TRUST, INC., a
Maryland corporation,)

Respondents.)

Respondents Jack Combs and Nancy Combs elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Disgorgement, Order for Administrative Penalties, and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. Between 2011 and 2017, Combs participated in a series of offerings of unregistered securities in the form of investments in real estate companies managed by Sean Zarinegar.

2. During the offering process, Combs, who was not registered with the Commission to sell securities, made false and misleading representations to potential investors regarding his and Sean Zarinegar's qualifications, the performance of the companies, and the risk associated with the investment.

3. Jack Combs ("Combs") has been a resident of Arizona at all times relevant to this matter.

4. Nancy Combs ("Respondent Spouse") was at all relevant times the spouse of Respondent Combs. Respondent Spouse is joined in this action under A.R.S. § 44-2031(C).

5. At all relevant times, Respondent and Respondent Spouse were acting for their own benefit and on behalf of and for the benefit of the marital community.

6. Performance Realty Management, LLC ("PRM") is a manager-managed limited liability company organized under the laws of the state of Arizona on or around October 20, 2009.

7. At all relevant times, Sean Zarinegar ("Zarinegar") was a manager of PRM.

8. Equity Pacesetter, LLC ("EP") is a manager-managed limited liability company organized under the laws of the state of Arizona on or around October 28, 2009.

9. At all relevant times, PRM was the sole manager of EP.

10. Equity Pacesetter II, LLC ("EP II") is a manager-managed limited liability company organized under the laws of the state of Arizona on or around October 13, 2011.

11. At all relevant times, PRM was the sole manager of EP II.

12. Equity Pacesetter III, LLC ("EP III") is a manager-managed limited liability company organized under the laws of the state of Arizona on or around November 30, 2012.

13. At all relevant times, PRM was the sole manager of EP III.

14. American Realty Partners, LLC ("ARP") is a manager-managed limited liability company organized under the laws of the state of Arizona on or around September 3, 2013.

15. On or around November 26, 2013, EP, EP II, and EP III merged with and into ARP.

16. At all relevant times, PRM was the sole manager of ARP.

17. American Housing Income Trust, Inc. ("AHIT") is a corporation organized under the laws of the state of Maryland on or around May 4, 2015.

18. Zarinegar held the following positions at AHIT:

- a. Director from at least May 6, 2015, to March 1, 2017;
- b. Chairman of the board of directors from at least May 6, 2015, to May 14, 2015, and from June 29, 2015, to March 1, 2017;
- c. Chief executive officer from at least May 18, 2015, to October 12, 2015, and from November 29, 2016, to March 1, 2017;
- d. Chief financial officer from at least June 29, 2015, to March 1, 2017;
- e. President from at least June 29, 2015, to October 12, 2015, and from November 29, 2016 to March 1, 2017; and
- f. Treasurer from at least June 29, 2015, to March 1, 2017.

19. On or around May 4, 2017, AHIT changed its name to Corix Bioscience, Inc.

20. On or around June 20, 2017, Corix Bioscience, Inc. caused itself to convert into and continue as Corix Bioscience, Inc. ("Corix") a corporation registered with the secretary of state of Wyoming.

Combs' History

21. On July 31, 1997, the Commission entered an Order to Cease and Desist, Order for Administrative Penalties, and Consent to Same ("Arizona Combs Order") against Combs.

22. Pursuant to the Arizona Combs Order, the Commission concluded that Combs violated the Arizona Securities Act's registration statutes by selling unregistered securities, and by selling securities while not being registered to do so.

- 9 24. On August 31, 1998, the Securities Commissioner of Kansas issued a Permanent
10 Cease and Desist Order ("Kansas Combs Order") against Combs.

11 25. Pursuant to the Kansas Combs Order, the Securities Commissioner of Kansas
12 concluded that Combs had violated the Kansas Securities Act by selling unregistered securities and
13 by selling securities while not being registered to do so.

26. On March 1, 2005, the Securities Commissioner of Texas entered an Agreed Cease and Desist Order and Order Assessing Administrative Fine ("Texas Combs Order") against Combs.

16 27. Pursuant to the Texas Combs Order, the Securities Commissioner of Texas
17 concluded that Combs violated the Texas Securities Act by offering unregistered securities, and by
18 offering securities while not being registered to do so.

20 28. From approximately March 15, 1995, to January 3, 2000, Zarinegar was registered
21 with the National Association of Securities Dealers ("NASD") in association with American
22 Income Securities ("AIS").

23 29. While associated with AIS, Zarinegar was the subject of an NASD arbitration in
24 which an AIS customer alleged fraud and misrepresentation in connection with the customer's
25 investment in two limited liability company private placements.

1 30. While associated with AIS, Zarinegar was the subject of another NASD arbitration
2 in which AIS customers alleged misrepresentations, unsuitability of investments, and breach of
3 fiduciary duty in connection with their investments in two limited partnerships.

4 31. While associated with AIS, Zarinegar was also the subject of a civil action in which
5 a customer alleged fraud and breach of fiduciary duty in connection with his investments in two
6 limited partnerships.

7 32. On or around April 19, 2000, Zarinegar filed a petition for bankruptcy in the United
8 States Bankruptcy Court, Central District of California.

9 33. Zarinegar's bankruptcy was precipitated by a high-risk investment that resulted in
10 large losses and Zarinegar's insolvency.

11 34. From approximately July 9, 2001, to April 8, 2005, Zarinegar was registered with
12 the NASD as a general securities representative in association with Malory Investments, LLC
13 ("Malory").

14 35. On or around July 5, 2007, the Alabama Securities Commission issued
15 Administrative Order No. CD-2007-0019 ("Alabama Order") against Zarinegar, Malory, and
16 others.

17 36. Pursuant to the Alabama Order, the Alabama Securities Commission determined
18 that Zarinegar:

- 19 a. Engaged in dishonest or unethical business practices in connection with the
20 offer, sale, or purchase of securities;
- 21 b. Engaged in any act, practice or course of business, in connection with the
22 offer, sale or purchase of securities, which operates or would operate as a
23 fraud or deceit upon any person; and
- 24 c. Obtained money through the sale of securities by means of making untrue
25 statements or omitting to state facts necessary in order to make the
26 statements made not misleading.

1 50. During the offering process, Combs provided the EP Investors with a Private
2 Placement Memorandum and Operating Agreement (collectively, "EP Offering Documents") prior
3 to their investments.

4 51. Regarding EP's business plan, the EP Offering Documents provided that EP
5 intended "to engage in the business of purchasing real estate for the purpose of making cosmetic
6 changes, repairs and other enhancements in order to increase the value of the property, and then
7 selling such property. This process is generally referred to as 'fix and flip.'"

8 52. Regarding investor returns, the EP Offering Documents stated that:

- 9 a. Investors would receive a 10% "preferred return" each year;
10 b. Investors would receive distributions of EP's "net available cash flow,"
11 defined as the excess of gross cash receipts over cash disbursements, until
12 their unreturned capital contribution amounts were reduced to zero; and
13 c. Investors would receive distributions of 90% of EP's net available cash flow
14 after all unreturned capital contribution amounts were reduced to zero.

15 53. With respect to management and control of EP, the Offering Documents provided:

- 16 a. "Investors will have no voting rights and will not be permitted to take part in
17 the management or control of the Company's business.";
18 b. PRM was the manager of EP, and had the exclusive authority to manage the
19 day-to-day business and affairs of EP; and
20 c. PRM's "key personnel," included "Sean Zar," the manager of PRM, and
21 Combs, the "VP, Acquisitions" of PRM.

22 54. The EP Offering Documents provided the following information regarding
23 Zarinegar's qualifications:

- 24 a. "Mr. Zar brings more than 20 years of experience in operations evaluation,
25 investment and management of business including Real [sic] estate,
26

1 development, construction, finance, marketing and brokerage, among
2 others”;

3 b. “Mr. Zar possesses many years of experience in real estate management
4 including corporate strategic planning, partner development and relations,
5 land acquisition, entitlement processing and government relations, project
6 planning and financing, land development and new home construction.”;

7 c. “Sean has a unique combination of experience that provides a broad range of
8 knowledge that is needed to be successful in the challenging environment of
9 today’s real estate industry”;

10 d. “Prior to the liquidity crisis, Mr. Zar was actively involved in land
11 acquisition, development processes, financing, and management of multi-
12 family and single-family projects. His responsibilities involved land
13 development, supervision of capital structures, property management,
14 leasing, maintenance and construction activities for its many subsidiary
15 LLC’s and commercial properties in Colorado Springs, Colorado.”; and

16 e. “Mr. Zar has been active as a real estate investor in Colorado Springs and
17 southern California and Arizona for several years, and also has more than 20
18 years [*sic*] business experience in covering all aspects of the investment
19 arena.”

20 55. The EP Offering Documents did not disclose any information regarding the events
21 in Zarinegar’s or Combs’ history discussed in ¶¶ 21–46, *supra*.

22 56. During the offering process, Combs represented to at least one EP investor that the
23 properties would be purchased with cash and EP would not incur any debt.

24 57. However, EP partially or fully financed nearly all the properties it purchased using
25 loans secured by deeds of trust on the financed properties.

1 58. During the offering process, Combs represented to at least one EP investor that there
2 was no risk associated with investing in EP Units.

3 59. EP was not profitable during any year of its existence.

4 60. Other than the payment of preferred returns, which ceased in 2012, the EP Investors
5 have not received any return of or return on their investments.

6 *Equity Pacesetter II, LLC*

7 61. From approximately January 2012 through December 2013, Combs offered and
8 sold EP II membership units ("EP II Units") to at least eight investors ("EP II Investors") in
9 exchange for at least \$631,089.

10 62. The EP II Units were not registered with the Commission.

11 63. Combs solicited certain EP II Investors via cold calls from a lead list.

12 64. During the offering process, Combs provided certain EP II Investors with a Private
13 Placement Memorandum and Operating Agreement (collectively, "EP II Offering Documents")
14 prior to their investments.

15 65. Regarding EP II's business plan, the EP II Offering Documents provided that EP II
16 intended "to engage in the business of purchasing real estate for the purpose of making cosmetic
17 changes, repairs and other enhancements in order to increase the value of the property, and then sell
18 such property. This process is generally referred to as 'fix and flip.'"

19 66. Regarding investor returns, the EP II Offering Documents stated that:

- 20 a. Investors would receive an 8% "preferred return" each year;
21 b. Investors would receive distributions of EP II's "net available cash flow,"
22 defined as the excess of gross cash receipts over cash disbursements, until
23 their unreturned capital contribution amounts were reduced to zero; and
24 c. Investors would receive distributions of 80% of EP II's net available cash
25 flow after all unreturned capital contribution amounts were reduced to zero.

26 67. With respect to management and control of EP II, the Offering Documents provided:

- a. "Investors will have no voting rights and will not be permitted to take part in the management or control of the Company's business.";
- b. PRM was the manager of EP II, and had the exclusive authority to manage the day-to-day business and affairs of EP II; and
- c. PRM's "key personnel," included "Sean Zar," the CEO of PRM, and Combs, a managing partner of PRM.

68. The EP II Offering Documents provided the following information regarding Zarinegar's qualifications:

- a. "Mr. Zar brings more than twenty years [*sic*] experience in operations, evaluation, investment and management of real estate assets";
- b. Zarinegar "also was the founder and CEO of American Income Securities, an investment company with more than \$50 million in client assets. He also managed a technology venture capital fund where he was responsible for equity and debt investments in a wide variety of companies."; and
- c. "Mr. Zar has been an active real estate investor in Arizona as well as Colorado and Southern California."

69. Regarding Combs' qualifications, the EP II Offering Documents stated:

- a. Combs is a "graduate in the masters [*sic*] program at USC Los Angeles and has taught numerous classes in business and finance.";
- b. Combs' "interest in the financial services industry led him to a career in the investment banking industry with E.F. Hutton & Co."; and
- c. "In 1992 he moved to Scottsdale, Arizona and became involved in the real estate opportunities."

70. Combs represented to at least one EP II Investor that Zarinegar was an "investment guru" who had great success in the real estate investment market.

1 71. The EP II Offering Documents did not disclose any information regarding the events
2 in Zarinegar's or Combs' history discussed in ¶¶ 21–46, *supra*.

3 72. The EP II Offering Documents did not disclose that EP had never been profitable.

4 73. EP II was not profitable during any year of its existence.

5 74. The EP II Investors have not received any return of or return on their investments.

6 ***Equity Pacesetter III, LLC***

7 75. From approximately March 2013 through October 2013, Combs offered and sold
8 EP III membership units ("EP III Units") to at least five investors ("EP III Investors") in exchange
9 for at least \$120,000.

10 76. The EP III Units were not registered with the Commission.

11 77. Combs solicited certain EP III Investors via cold calls from a lead list.

12 78. During the offering process, Combs provided certain EP III Investors with a Private
13 Placement Memorandum and Operating Agreement (collectively, "EP III Offering Documents")
14 prior to their investments.

15 79. Regarding EP III's business plan, the EP III Offering Documents provided that EP
16 III intended "to engage in the business of purchasing real estate for the purpose of making cosmetic
17 changes, repairs and other enhancements in order to increase the value of the property, and then
18 rent such property to tenants."

19 80. Regarding investor returns, the EP III Offering Documents stated that:

- 20 a. Investors would receive an 8% "preferred return" each year;
- 21 b. Investors would receive distributions of EP III's "net available cash flow,"
22 defined as the excess of gross cash receipts over cash disbursements, until
23 their unreturned capital contribution amounts were reduced to zero; and
- 24 c. Investors would receive distributions of 70% of EP III's net available cash
25 flow after all unreturned capital contribution amounts were reduced to zero.
- 26

1 81. With respect to management and control of EP III, the Offering Documents
2 provided:

- 3 a. “Investors will have no voting rights and will not be permitted to take part in
4 the management or control of the Company’s business.”;
- 5 b. PRM was the manager of EP III, and had the exclusive authority to manage
6 the day-to-day business and affairs of EP; and
- 7 c. PRM’s “key personnel,” included “Sean Zar,” the chief executive officer of
8 PRM, and Combs, a managing partner of PRM.

9 82. The EP III Offering Documents provided the following information regarding
10 Zarinegar’s qualifications:

- 11 a. “Mr. Zar brings more than twenty years [*sic*] experience in operations,
12 evaluation, investment and management of real estate assets”;
- 13 b. Zarinegar “also was the founder and CEO of American Income Securities, an
14 investment company with more than \$50 million in client assets.”; and
- 15 c. “Prior to founding PRM, Mr. Zar founded and served as the President and
16 CEO, a director and the principal shareholder of Core Land & Investments,
17 Inc., a Colorado corporation, formerly Housing Partners, Inc. (“CORE”) for
18 eight (8) years.”

19 83. Regarding Combs’ qualifications, the EP III Offering Documents stated:

- 20 a. Combs is a “graduate in the masters [*sic*] program at USC Los Angeles and
21 has taught numerous classes in business and finance.”;
- 22 b. Combs’ “interest in the financial services industry led him to a career in the
23 investment banking industry with E.F. Hutton & Co.”; and
- 24 c. “In 1992 he moved to Scottsdale, Arizona and became involved in the real
25 estate opportunities.”
- 26

84. The EP III Offering Documents did not disclose any information regarding the events in Zarinegar's or Combs' history discussed in ¶¶ 21–46, *supra*.

85. The EP III Offering Documents also included a paragraph titled "Prior Performance of Manager," which stated that since November 2010, PRM had purchased 51 properties at an average purchase price of \$152,374. The paragraph also stated that 34 of the homes were resold for an average price of \$187,511, and the other 17 homes were rentals with an average rental rate of \$1,330 per month.

86. The EP III Offering Documents did not disclose that neither EP nor EP II had ever been profitable.

87. EP III was not profitable during any year of its existence.

88. The EP III Investors have not received any return of or return on their investments.

American Realty Partners, LLC

89. From approximately December 2013 through July 2015, Combs offered and sold ARP membership units ("ARP Units") to at least eight investors ("ARP Investors") in exchange for \$784,117.07.

90. The ARP Units were not registered with the Commission.

91. Combs solicited certain ARP Investors via cold calls from a lead list.

92. During the offering process, Combs provided certain ARP Investors with a Private Placement Memorandum and Operating Agreement (collectively, “ARP Offering Documents”) prior to their investments.

93. Regarding ARP's business plan, the ARP Offering Documents provided that ARP intended "to engage in the business of purchasing real estate for the purpose of making cosmetic changes, repairs, and other enhancements in order to increase the value of the properties, and then rent such property to tenants. ARP intends to rent each property for a period of 12 months from acquisition and then resell the property."

94. Regarding investor returns, the ARP Offering Documents stated that:

- a. Investors would receive an 8% "preferred return" each year;
- b. Investors would receive distributions of ARP's "net available cash flow," defined as the excess of gross cash receipts over cash disbursements, until their unreturned capital contribution amounts were reduced to zero; and
- c. Investors would receive distributions of 70% of ARP's net available cash flow after all unreturned capital contribution amounts were reduced to zero.

95. With respect to management and control of ARP, the Offering Documents provided:

- a. "Members will have limited voting rights and will not be permitted to take part in the management or control of ARP's business.";
- b. PRM was the manager of ARP, and had the exclusive authority to manage the day-to-day business and affairs of ARP; and
- c. PRM's "key personnel," included "Sean Zar," the Chief Executive Officer of PRM, and Combs, a Managing Partner of PRM.

96. The ARP Offering Documents provided the following information regarding Zarinegar's qualifications:

- a. "Mr. Zar brings more than twenty years [*sic*] experience in operations, evaluation, investment and management of real estate assets";
- b. "Mr. Zar brings investment experience to the company as well as experience having formed successful business partnerships"; and
- c. "Mr. Zar has been an active real estate investor in Arizona, as well as Colorado and Southern California. Prior to founding PRM, Mr. Zar founded and served as the President and CEO, a director and the principal shareholder of Housing Partners, Inc., and was actively involved in land acquisition, development processes, financing, and management of multi-family and single-family projects."

97. Regarding Combs' qualifications, the ARP Offering Documents stated:

- a. Combs is a “graduate in the Masters program at University of Southern California (USC) and has taught numerous classes in business and finance.”;
- b. Combs’ “interest in the financial services industry led him to a career in the investment banking industry with E.F. Hutton & Co.”; and
- c. “In 1992 he moved to Scottsdale, Arizona and became involved in the real estate opportunities.”

98. The ARP Offering Documents did not disclose any information regarding the events in Zarinegar’s or Combs’ history discussed in ¶¶ 21–46, *supra*.

99. The ARP Offering Documents did not disclose that EP, EP II, and EP III had never been profitable.

100. ARP was not profitable during any year of its existence.

101. The ARP Investors have not received any return of or return on their investments.

Performance Realty Management, LLC

102. From approximately November 2015 through July 2016, Combs offered and sold PRM membership units (“PRM Units”) to at least nine investors (“PRM Investors”) in exchange for at least \$1,119,521.

103. The PRM Units were not registered with the Commission.

104. Combs solicited certain PRM investors via cold calls from a lead list.

105. During the offering process, Combs provided certain PRM Investors with a Private Placement Memorandum and Operating Agreement (collectively, “PRM Offering Documents”) prior to their investments.

106. Regarding PRM’s business plan, the PRM Offering Documents provided that PRM’s business and purpose was to “manage, maintain, improve, develop, construct, lease, manage, sell, exchange, or otherwise dispose of residential and/or commercial real property for the benefit of third-parties,” as well as other activities incidental to the foregoing and any other lawful business.

107. Regarding investor returns, the PRM Offering Documents stated that:

- a. Investors would receive distributions prior to any distributions to Zarinegar;
- b. Investors would receive an 8% “preferred return” each year;
- c. Investors would receive distributions of PRM’s “net available cash flow,” defined as the excess of gross cash receipts over cash disbursements, until their unreturned capital contribution amounts were reduced to zero; and
- d. Investors would receive distributions of 70% of PRM’s net available cash flow after all unreturned capital contribution amounts were reduced to zero.

108. The PRM Offering Documents did not disclose that EP, EP II, EP III, and ARP had never been profitable.

109. With respect to management and control of PRM, the Offering Documents provided:

- a. Investors would not have any power or authority to bind PRM;
- b. “The Class A Units offered herein do not carry any voting rights.”;
- c. All voting units would be held by Zarinegar, who is the sole member and manager of PRM; and
- d. Zarinegar had the exclusive authority to manage the day-to-day business and affairs of PRM.

110. The PRM Offering Documents did not disclose any information regarding the events in Zarinegar’s history discussed in ¶¶ 28–46, *supra*.

111. PRM was not profitable during any year of its existence.

112. The PRM Investors have not received any return of or return on their investments.

American Housing Income Trust, Inc.

113. From approximately July 2015 through February 2017, Combs offered and sold shares of stock in AHIT (“AHIT Stock”) to at least twelve investors (“AHIT Investors”) in exchange for at least \$1,050,000 in cash and real estate.

114. The AHIT Stock was not registered with the Commission.

1 115. Combs solicited certain AHIT Investors via cold calls from a lead list.

2 116. During the offering process, Combs provided certain AHIT Investors with offering
3 documents, including a Private Placement Memorandum ("AHIT PPM") and several brochures
4 ("AHIT Brochures").

5 117. Regarding AHIT's business operations, the AHIT PPM stated that "the Company
6 intends on engaging in the business of purchasing real estate for the purpose of making cosmetic
7 changes, repairs, and other enhancements in order to increase the value of the properties, and then
8 rent such property to tenants."

9 118. The AHIT PPM also stated AHIT had acquired all of the outstanding units of ARP,
10 and that ARP had therefore become a wholly-owned subsidiary of AHIT.

11 119. In a section titled "2014 YEAR IN REVIEW," the AHIT PPM stated, "By many
12 measures, 2014 was an extraordinary year for American Realty, the Company's wholly-owned
13 subsidiary and operating entity for our current management team."

14 120. One of the AHIT Brochures included a chart purporting to show projected returns
15 for AHIT. The chart projected annual distributions of 8–10%, and a five-year return on investment
16 of 71%.

17 121. Another AHIT Brochure provided a list of four "CORE Values," which AHIT
18 claimed to be its "guiding principles." The list included both "ethics" and "profitability."

19 122. The AHIT PPM and Brochures did not disclose that ARP's operations lost over
20 \$1,000,000 in 2014, or that EP, EP II, EP III had consistently lost hundreds of thousands of dollars
21 per year.

22 123. Regarding the qualifications of management, the AHIT Brochures stated that
23 "Management of the fund has more than 5 decades of combined experience in real estate distressed
24 asset acquisitions, disposition and rental and is a recognized leader in the Arizona foreclosure
25 market."

26 124. The AHIT Brochures also identified Zarinegar as a board member, and stated that:

1 a. “Mr. Zarinegar brings more than twenty years of experience in operations,
2 evaluation, investment and management of real estate assets and is
3 responsible for new asset origination, evaluation, analysis and due diligence,
4 as well as overall executive direction.”; and

5 b. “Mr. Zarinegar brings investment experience to the company as well as
6 experience having formed successful business partnership and has acquired a
7 talented team of experts necessary to support ongoing and future projects and
8 opportunities.”

9 125. The AHIT PPM and Brochures did not disclose any information regarding the
10 events in Zarinegar’s history as described in ¶¶ 28–46.

11 126. During the offering, Combs also provided certain AHIT Investors with a prospectus
12 (“AHIT Prospectus”).

13 127. The AHIT Prospectus identified Zarinegar as the chairman of the board, chief
14 financial officer, and treasurer.

15 128. Regarding Zarinegar’s qualifications, the AHIT Prospectus stated:

16 a. “Mr. Zarinegar brings more than twenty years of experience in operations,
17 evaluation, investment and management of real estate assets”; and

18 b. “Mr. Zarinegar brings investment experience to the company as well as
19 experience having formed successful business partnerships and has acquired
20 a talented team of experts necessary to support ongoing and future projects
21 and opportunities.”

22 129. Other than mentioning the existence of the cease and desist orders by the Kansas
23 Securities Commission and Alabama Securities Commission, the AHIT Prospectus did not disclose
24 any information regarding the events in Zarinegar’s history as described in ¶¶ 28–46.

25 130. AHIT was never profitable. Its net losses were \$2,766,424 in 2015 and \$4,429,692
26 in 2016.

131. In or around May 2017, AHIT changed its name to Corix Bioscience, Inc., ceased operations as a real estate company, and began operating as a manufacturer of cannabidiol oil, a cannabis derivative.

132. The AHIT Investors have not received any return of or return on their investments.

133. As a result of his participation in the foregoing offerings, Combs was paid \$221,713 in commissions and other compensation.

II.

CONCLUSIONS OF LAW

134. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

135. Combs offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

136. Combs violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

137. Combs violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

138. Combs violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, or (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

139. Combs' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

140. Combs' conduct is grounds for an order of disgorgement pursuant to A.R.S. § 44-2032.

141. Combs' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

1 an investor refuses to accept such payment, or any disgorgement funds that cannot be disbursed to
2 an investor because the investor is deceased shall be disbursed on a pro-rata basis to the remaining
3 investors shown on the records of the Commission. Any funds that the Commission determines it
4 is unable to or cannot feasibly disburse shall be transferred to the general fund of the state of
5 Arizona.

6 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Combs, as his sole and
7 separate obligation, and Combs and Respondent Spouse, as a community obligation, shall pay an
8 administrative penalty in the amount of \$25,000 as a result of the conduct set forth in the Findings
9 of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be
10 made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by law.

11 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
12 applied to the disgorgement obligation. Upon payment in full of the disgorgement obligation,
13 payments shall be applied to the penalty obligation.

14 For purposes of this Order, a bankruptcy filing by Combs or Respondent Spouse shall be an
15 act of default. If Respondent does not comply with this Order, any outstanding balance may be
16 deemed in default and shall be immediately due and payable.

17 IT IS FURTHER ORDERED, that if Combs or Respondent Spouse fails to comply with this
18 order, the Commission may bring further legal proceedings against Combs or Respondent Spouse,
19 including application to the superior court for an order of contempt.

20 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
21 Order shall be deemed binding against any Respondent under this Docket Number who has not
22 consented to the entry of this Order.

23 / / /

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IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN BURNS

COMMISSIONER DUNN

COMMISSIONER KENNEDY

COMMISSIONER OLSON

COMMISSIONER MÁRQUEZ PETERSON



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 17 day of December, 2019.

MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov.

(CAN)

CONSENT TO ENTRY OF ORDER

1
2 1. Combs and Respondent Spouse admit the jurisdiction of the Commission over the
3 subject matter of this proceeding. Combs and Respondent Spouse acknowledge that they have
4 been fully advised of their right to a hearing to present evidence and call witnesses and they
5 knowingly and voluntarily waive any and all rights to a hearing before the Commission and all
6 other rights otherwise available under Article 11 of the Securities Act and Title 14 of the Arizona
7 Administrative Code. Combs and Respondent Spouse acknowledge that this Order to Cease and
8 Desist, Order for Disgorgement, Order for Administrative Penalties, and Consent to Same
9 (“Order”) constitutes a valid final order of the Commission.

10 2. Combs and Respondent Spouse knowingly and voluntarily waive any right under
11 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
12 extraordinary relief resulting from the entry of this Order.

13 3. Combs and Respondent Spouse acknowledge and agree that this Order is entered
14 into freely and voluntarily and that no promise was made or coercion used to induce such entry.

15 4. Combs and Respondent Spouse understand and acknowledge that they have a right
16 to seek counsel regarding this Order, and that they have had the opportunity to seek counsel prior to
17 signing this Order. Combs and Respondent Spouse acknowledge and agree that, despite the
18 foregoing, they freely and voluntarily waive any and all right to consult or obtain counsel prior to
19 signing this Order.

20 5. Combs and Respondent Spouse neither admit nor deny the Findings of Fact and
21 Conclusions of Law contained in this Order. Combs and Respondent Spouse agree that they shall
22 not contest the validity of the Findings of Fact and Conclusions of Law contained in this Order in
23 any present or future proceeding in which the Commission is a party.

24 6. Combs and Respondent Spouse further agree that they shall not deny or contest the
25 Findings of Fact and Conclusions of Law contained in this Order in any present or future: (a)
26 bankruptcy proceeding, or (b) non-criminal proceeding in which the Commission is a party

1 (collectively, "proceeding(s)"). They further agree that in any such proceedings, the Findings of
2 Fact and Conclusions of Law contained in this Order may be taken as true and correct and that this
3 Order shall collaterally estop them from re-litigating with the Commission or any other state
4 agency, in any forum, the accuracy of the Findings of Fact and Conclusions of Law contained in
5 this Order. In the event Combs or Respondent Spouse pursues bankruptcy protection in the future,
6 they further agree that in such bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the
7 following circumstances exist:

8 A. The obligations incurred as a result of this Order are a result of the conduct set forth
9 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
10 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

11 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
12 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
13 Combs and Respondent Spouse pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for
14 damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or
15 other payment owed by Combs and Respondent Spouse pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

16 7. By consenting to the entry of this Order, Combs and Respondent Spouse agree not
17 to take any action or to make, or permit to be made, any public statement denying, directly or
18 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
19 this Order is without factual basis.

20 8. While this Order settles this administrative matter between Combs and the
21 Commission, Combs and Respondent Spouse understand that this Order does not preclude the
22 Commission from instituting other administrative or civil proceedings based on violations that are
23 not addressed by this Order.

24 9. Combs and Respondent Spouse understand that this Order does not preclude the
25 Commission from referring this matter to any governmental agency for administrative, civil, or
26 criminal proceedings that may be related to the matters addressed by this Order.

1 10. Combs and Respondent Spouse understand that this Order does not preclude any
2 other agency or officer of the state of Arizona or its subdivisions from instituting administrative,
3 civil, or criminal proceedings that may be related to matters addressed by this Order.

4 11. Combs agrees that he will not apply to the state of Arizona for registration as a
5 securities dealer or salesman or for licensure as an investment adviser or investment adviser
6 representative until such time as all disgorgement and penalties under this Order are paid in full.

7 12. Combs agrees that he will not exercise any control over any entity that offers or sells
8 securities or provides investment advisory services within or from Arizona until such time as all
9 disgorgement and penalties under this Order are paid in full.

10 13. Combs agrees that he will continue to cooperate with the Securities Division
11 including, but not limited to, providing complete and accurate testimony at any hearing in this
12 matter and cooperating with the state of Arizona in any related investigation or any other matters
13 arising from the activities described in this Order.

14 14. Combs and Respondent Spouse acknowledge that any disgorgement or penalties
15 imposed by this Order are community obligations.

16 15. Combs and Respondent Spouse consent to the entry of this Order and agree to be
17 fully bound by its terms and conditions.

18 16. Combs and Respondent Spouse acknowledge and understand that if they fail to
19 comply with the provisions of the order and this consent, the Commission may bring further legal
20 proceedings against them, including application to the superior court for an order of contempt.

21 17. Combs and Respondent Spouse understand that default shall render them liable to
22 the Commission for its costs of collection, including reasonable attorneys' fees and interest at the
23 maximum legal rate.

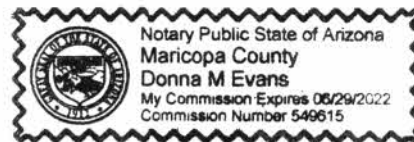
24 18. Combs and Respondent Spouse agree and understand that if they fail to make any
25 payment as required in the Order, any outstanding balance shall be in default and shall be
26 immediately due and payable without notice or demand. Combs and Respondent Spouse agree and

1 understand that acceptance of any partial or late payment by the Commission is not a waiver of
2 default by the Commission.

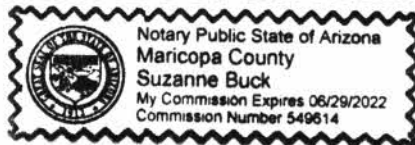
3
4 
5 Jack Combs


6 
7 Nancy Combs

8 STATE OF ARIZONA)
9 County of Maricopa) ss



10 SUBSCRIBED AND SWORN TO BEFORE me this 12 day of November,



11
12 
13 NOTARY PUBLIC

14 My commission expires:

15 06/29/2022

16 SERVICE LIST FOR: Sean Zarinegar et al.

17
18 Sean Zarinegar and Kori Zarinegar
19 42132 North Mountain Cove Drive
20 Phoenix, AZ 85086
21 Respondents

22 Performance Realty Management, LLC
23 42132 North Mountain Cove Drive
24 Phoenix, AZ 85086
25 Respondent

26 Jack Combs and Nancy Combs
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Respondents

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5 *Attorneys for Respondents Corix Bioscience, Inc.*
6 *and American Realty Partners, LLC*
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